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Report to the General Assembly

March 1991

A Compliance Review of the South Carolina Motor Vehicle Management Act

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Report to the General Assembly

**A Compliance Review
of the South Carolina
Motor Vehicle
Management Act**

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Executive Summary

Our overall conclusion is that the six basic objectives of the Motor Vehicle Management Act have not been fully met. Problems were identified in the major areas of assignment and use of vehicles; acquisition and replacement of vehicles; and identification and maintenance.

The Motor Vehicle Management Act directs the Budget and Control Board (B&CB) to develop a comprehensive state fleet management program and to achieve maximum cost effective management of the state fleet. The Division of Motor Vehicle Management (DMVM) was created in 1975 to implement the requirements of the act. However, DMVM's attempts to implement the provisions of the act met with resistance from other state agencies which controlled their own vehicle fleets. In 1980, a joint legislative study committee issued a report which DMVM interpreted as giving individual agencies greater responsibility in controlling state vehicles.

As a result, the current fleet management system, which DMVM characterizes as "centralized administratively" and "decentralized operationally," arose. Our report shows that this management system has contributed to the state's inability to fully comply with the six major objectives of the act.

Approval and oversight authority is decentralized among more than 90 agencies which own approximately 92% of the state fleet, excluding school buses. DMVM owns the remaining 1,100 of the approximately 14,000 state vehicles, excluding school buses. In addition, while DMVM has performed management reviews of state agencies, the reviews are limited and results have not been transmitted to the B&CB in a timely manner. Also, no administrative penalties have been established by the B&CB for violations.

In December 1990, the B&CB delegated fleet management and authority to the State Fleet Manager. However, all matters requiring, "... major policy decisions or actions ..." still must be brought before the B&CB.

In our review, we found areas where major policy decisions may be needed to ensure maximum cost effective utilization of the state fleet. In those areas, we recommend that the state fleet manager be given the authority to review state agencies to ensure the most cost effective use of state vehicles.

DMVM, and the other state agencies, who both lease and own vehicles, could reduce costs by monitoring and controlling their vehicle utilization. Problems were noted with the division's compliance with the statutory requirement to purchase and dispose of vehicles on the basis of maximum cost-effectiveness. Approximately \$2.13 million in savings could be realized through downsizing the fleet (see p. 26).

In our review of permanent assignments, we found assignments which may not comply with state law and regulations requiring the maximum cost-effective use of vehicles. For those vehicles leased from DMVM by agency heads and other high-level employees, we estimate the state could save approximately \$90,000 annually by reimbursing them for the official use of their privately-owned vehicle (see p. 6). In addition, we found unofficial use or commuting use by state employees which may not meet state law and regulations regarding maximum cost-effectiveness. We make recommendations that could increase economy by approximately \$160,000 annually (see p. 10).

We also found that, while the assignment of some vehicles may not be cost-effective, there are state employees without state cars for whom it would be more cost-effective to assign a state car. We make recommendations that could result in annual savings of approximately \$218,000 (see p. 16). A \$2.3 million POV rate reimbursement increase may result in agencies having to reduce travel necessary to the accomplishment of their mission (see p. 16).

Additional problems found during this review are:

- Agency compliance with, and DMVM controls over, vehicle identification requirements have been inadequate (see p. 19).
- Requests have been made and approved to replace vehicles; however, 395 vehicles to be disposed of continue to remain on the state fleet inventory after one year (see p. 27).
- Maintenance program guidelines have been enforced through the certification review process, and a uniform cost accounting system has been developed, but DMVM has not ensured that agencies are not duplicating maintenance facilities (see p. 31).

Introduction

Background

The Division of Motor Vehicle Management (DMVM) was created as a part of the Budget and Control Board in May 1975 to assume supervision of the state's motor vehicle fleet. The Division was established under provisions of Section 24, Part II - Permanent Provisions of the South Carolina Appropriation Act of FY 78-79. The Motor Vehicle Management Act is composed of §1-11-220 through §1-11-350 of the South Carolina Code of Laws.

South Carolina's vehicle fleet is comprised of over 14,000 vehicles, excluding school buses. These vehicles, with an acquisition cost of approximately \$160 million, are operated by approximately 30,000 employees in over 90 state agencies. DMVM owns 1,100 of the 14,000 vehicles. The remainder of the fleet is owned by the state agencies separately. Additional information on the state fleet is provided in Appendices A-1 and A-2.

State Law makes the Budget and Control Board (B&CB) responsible for developing and administering a comprehensive fleet management program. The law also provides for a three-member Motor Vehicle Management Council, appointed by the B&CB with the advice and consent of the Senate. The management council is to advise the B&CB and the division and hear appeals on the enforcement of B&CB regulations. The division, headed by the state fleet manager/director, has a staff of 29 and is organized into three sections; operations, maintenance, and administration.

Scope and Methodology

The focus of our review is mandated by §1-11-350 of the South Carolina Code of Laws which requires the Legislative Audit Council to:

... audit compliance by the Division of Motor Vehicle Management and the agencies with this section every three years

We reviewed the areas of vehicle acquisition, disposal, assignment, maintenance, identification, and fleet safety. We evaluated compliance of the Division of Motor Vehicle Management and the agencies with the six basic objectives of the law. The objectives, which are to be achieved through Budget and Control Board rules, regulations, and policies and

procedures, are stated in §1-11-220 of the South Carolina Code as follows:

- achieve maximum cost-effective management of motor vehicles in keeping with the objectives of state agencies;
- eliminate unauthorized and unofficial use of state vehicles;
- minimize individual assignment of state vehicles;
- eliminate use of privately-owned vehicles when this practice is more costly than the use of state vehicles;
- acquire optimum energy efficient vehicles for the tasks to be performed; and
- ensure motor vehicles are operated in a safe manner.

The audit covers the time period April 1, 1988 through June 30, 1990. We used both statistically valid and judgmental samples depending on sampling requirements. We examined the entire state fleet where possible. However, some specific samples may be derived from the DMVM-owned fleet.

Our primary criteria in determining compliance were the act itself and accompanying regulations and policies and procedures. Internal documents at DMVM and other state agencies were reviewed as necessary. Information, where applicable, was sought from programs in other states, the federal government, and the private sector. In addition, general literature in the field of fleet management was examined. The audit was conducted in accordance with government auditing standards.

Vehicle Assignment and Use

Vehicle Assignment and Use

As an overview, in FY 89-90, 2,832 vehicles (20% of the state fleet, excluding school buses,) were reported as being permanently assigned to state employees, and 2,275 employees reported commuting in their state-owned vehicles. Over 1,500 vehicles did not have state seals and of this number, 759 also had confidential tags. In addition to the state fleet, state employees used their own private vehicles for official travel. In FY 89-90, the state paid approximately \$11 million to state employees for the official use of their privately-owned vehicles (POV).

Collectively, problems in these areas raise concerns relative to the maximum cost-effective utilization of the fleet. We recommend review and reallocation of state vehicles where possible to improve this situation. Alleviating problems in these areas could reduce the volume of purchasing. Statewide vehicle purchases for FY 89-90 amounted to approximately \$22 million. DMVM projects that in FY 91-92, it will purchase 288 vehicles at a cost of \$3.3 million. Since issues related to assignment and use are interrelated and therefore affect one another, care should be taken to review the effect any specific changes will have on the system as a whole.

Fleet Usage

When DMVM leases a vehicle to a state agency for motor pool or personal assignment use, it charges the agency for a minimum of 18,000 miles per year even if the actual mileage driven is less. This is done to fund the cost of operating and replacing the vehicle as well as DMVM's overhead. Since FY 86-87, the total number of miles charged for has exceeded the total number of miles actually driven. In FY 86-87, DMVM charged agencies for 6.5% more miles (1,128,111) than were actually driven at a cost of \$236,903. For FY 90-91, DMVM projects agencies will be charged for 12% more miles (2,656,404) at a cost of over \$570,000.

According to DMVM, some vehicles may not be driven the minimum number of miles for which they are charged because of the nature of the vehicle's use. For example, there are certain needs, such as the need to transport clients, which may be totally unrelated to mileage but which may also preclude the employee from using his own vehicle and being reimbursed by the state.

We examined vehicle usage of the sedan portion of the DMVM fleet for the first six months of FY 90-91 and found that for 31% (249) of the

sedans more miles were charged for than were actually driven. We estimate state agencies will pay DMVM approximately \$204,000 for these sedan miles in FY 90-91. In addition, we found 122 DMVM sedans driven less than the 14,600 official miles per year required to justify the DMVM permanent assignment. One agency conducted an internal analysis of 263 vehicles in its fleet and found 27 vehicles that could be reassigned to higher mileage situations.

DMVM does not require agencies to explain when a vehicle is consistently driven less than the minimum number of miles. Also, it is unclear whether DMVM has the authority to require that a vehicle be returned once it has been leased to a state agency. According to DMVM officials, it is the responsibility of the agency head and the agency's fleet manager to determine the agency's vehicle needs. However, DMVM has recently hired a management analyst and could, in its annual management reviews, develop fleet utilization data for evaluating cost-effective utilization of the fleet. Reevaluation of usage and reallocation of the fleet could result in cost savings and more efficient use of the fleet.

Recommendation

- 1 The B&CB should grant the state fleet manager authority to review state agency utilization of vehicles to ensure maximum cost-effective use of the vehicles. Where use is not found to be justified, B&CB regulations should provide that the vehicles be reallocated for a more cost-effective use.

Permanent Assignments

Twenty percent (2,832 vehicles) of the state fleet, excluding school buses, is permanently assigned to specific state employees. Our analysis indicates that permanent assignment, which according to DMVM's policy is the least desirable use of a state vehicle, is an area where the intent of the law may not be met in many instances. In addition, B&CB criteria is vague and needs to be more clearly defined. This situation leads to a reduction in cost-effective expenditures for the state.

Section 1-11-270 of the South Carolina Code of Laws states:

The Board shall establish criteria for individual assignment of motor vehicles based solely on the *functional requirements* of the job, which shall reduce such assignment to situations *clearly beneficial* to the State. [Emphasis Added]

Regulation 19-603 states:

Assignment of a state-owned vehicle for individual use shall not be made as a *perquisite of office*, . . . or for the *personal convenience of an individual, official or employee*, nor shall personal assignment of a vehicle continue if there is no official need. [Emphasis Added]

Regulation 19-603 establishes six assignment criteria. These include meeting a certain yearly official mileage requirement (14,600 miles for FY 90-91); assignment to full-time line law enforcement officers; assignment of vehicles essential to the performance of official duties or whose remote locations precludes shared use; and, assignment of highly specialized or heavy equipment. The last criterion is: "Circumstances, as determined by the agency head, which warrant individual assignment in the best interests of the state." That criterion is vague and not clearly defined.

We sampled two categories of permanent assignments which covered both DMVM-leased and agency-owned vehicles. The first category was vehicles permanently assigned to state agency heads and high-level state employees. The second was vehicles permanently assigned to other state employees. We also evaluated DMVM's review of assignment of state vehicles to line law enforcement officers.

Agency Heads

We reviewed a random sample of vehicles assigned to 34 of 102 agency heads and other high-level state employees. These vehicles were either agency-owned or leased from DMVM in FY 89-90. We found that 22 (65%) of the 34 vehicle assignments did not meet the official mileage requirement. In our analysis, to be conservative, we used the lower minimum mileage criterion in effect during FY 90-91 for judging the need for permanent assignment of a state vehicle in FY 89-90. For those cases which did not meet this B&CB criterion, we found:

- The total official miles in the 22 cases ranged from 2,141 to 13,494 with an average of 7,929 miles.
- In 8 (36%) of the 22 cases, commuting miles exceeded the number of official miles placed on the vehicle.

Since traveling a minimum number of official miles per year is not the sole criterion used to determine permanent assignment of state cars, we reviewed assignment justifications provided to DMVM by agencies.

In 17 (77%) of the 22 cases, the need to travel after hours to attend meetings or being on-call 24 hours was cited as the justification for being assigned a state vehicle. Three cited their positions as agency head, one cited responsibilities as an investigator and trainer, and one cited duties which precluded shared use. However, being on-call is not one of the six assignment criteria and state regulations do not permit vehicles to be assigned based on the employee's position. In addition, we found:

- In 9 (53%) of the 17 cases where meetings or on-call status was cited as justification for assignment, less than 50% of the required official mileage was incurred. In one case where "... a very heavy meeting schedule" was cited, fewer than 4,000 official miles were placed on the vehicle.
- In the case where duties precluded shared use, fewer than 5,000 official miles were placed on the vehicle. This vehicle was leased from DMVM, and we estimate the state could have saved over \$3,100 if POV reimbursement had been paid rather than assignment of a DMVM vehicle made.
- In the case where investigatory and training responsibilities were cited, the DMVM-leased car was driven a total of over 40,000 miles, over 28,000 miles of which were commuting. We estimate the state

could have saved over \$6,700 if POV reimbursement had been paid rather than assignment of a DMVM vehicle made.

Eleven of the 22 cases not meeting the official mileage requirement, involved cars leased to state agencies from DMVM. Based on lease-rate data, we estimate agencies could save over \$90,000 per year if agency heads and high-level state employees were reimbursed for the use of their private vehicles rather than assigned a DMVM vehicle. We did not estimate cost savings for agency-owned vehicles due to variations in cost.

Non-Agency Heads

We reviewed a random sample of 69 of the remaining 1,423 permanent assignments. Two law enforcement agencies file one form each for all of their law enforcement officers.

In our sample, we found assignments that in 12 (17%) of the cases did not meet the official mileage requirement necessary to justify being assigned a state car. In 7 (58%) of the cases, less than 80% of the minimum mileage necessary to justify assignment was placed on the car.

Additionally, in 7 (58%) of the cases, the state vehicles were used to commute. The percentage of miles that were commuting ranged from 8% to 46%.

Commuting mileage adds to the cost of maintaining a state vehicle. Additionally, if a vehicle is leased from DMVM, which charges for all mileage, commuting can increase an agency's total lease cost.

Line Law Enforcement

DMVM is not annually reevaluating assignments to line law enforcement officers as required by law. We found instances of individuals who may not be justified in being assigned cars using the line law enforcement criteria. We found a commissioner at one state agency who did not meet the law enforcement criteria. During the course of our review, he subsequently revised his permanent assignment justification and did not use the law enforcement criteria as justification. High-level law enforcement officers who spend more than 50% of their time on administrative duties are using the line law enforcement criteria to justify the assignment of a state vehicle. The unjustified permanent assignment

of state vehicles leads to increased expenditures for the state, which may not be cost-effective.

Regulation 19-603 requires DMVM to reevaluate annually during their management review, the assignment of vehicles to line law enforcement officers. According to DMVM, this is not done because the assignment authority rests with the agency head. The agency head, in making the assignment, is certifying that it meets with established criteria and DMVM relies on the agency head's knowledge to ensure these assignments are in the best interest of the agency.

The Budget and Control Board has issued guidelines to define the term "line law enforcement officer." Among the criteria are graduation from a criminal justice academy, authorization to carry a firearm, wearing a uniform, and spending less than 50% of official time on administrative activities.

Recommendations

- 2 The B&CB should grant the state fleet manager the authority to evaluate all permanently assigned vehicles to ensure the objectives of the Motor Vehicle Management Act are met. Where vehicle assignment does not meet the objectives of the Act, the assignment should be discontinued and the vehicle should be reallocated for more cost-effective use.
- 3 DMVM should reevaluate annually, during the management review, the assignment of state vehicles to line law enforcement officers as required by Regulation 19-603.

Commuting

In FY 89-90, 2,275 employees statewide commuted in state-owned vehicles. We found that 644 (28%) employees reported the commuting as additional income for tax purposes and this amounted to approximately \$431,000 in additional income. Others claimed to be exempt from reporting the commuting as additional income because they met one of the exemptions (usually law enforcement) allowed by the IRS.

Section 1-11-220 of the South Carolina Code of Laws states:

The Budget and Control Board shall, through their policies and regulations seek to . . . eliminate unofficial and unauthorized use of state vehicles.

Regulation 19-603 allows an agency head to authorize commuting and also states that:

The fact that an employee is "on-call" does not in itself justify this authorization. The urgency of employee availability and frequency of actual recall must be factually justified to the DMVM in order to qualify as authorized use.

In addition, the DMVM manual states:

The mere fact that an employee/official has been assigned a vehicle for exclusive use does not, in itself, imply permission to operate the vehicle between home and place of business. This determination shall be made, using the total assignment and use criteria contained herein It is emphasized that this type assignment shall be used sparingly

The assignment criteria referred to in the DMVM manual are the criteria used to determine if an individual should be permanently assigned a state vehicle (see p. 5).

The DMVM manual further states:

Prior promises or deserving employees without official need does not constitute reason for this type assignment. Agency heads shall not assign motor vehicles for the sole benefit of the employees.

However, our analysis indicates that in many cases, agency heads authorized personal use of state vehicles which may not meet the criteria cited above. Also, guidelines concerning reporting of commuting may need to be clarified.

Commuting Use by Individuals

Although state law and DMVM policy discourage commuting in state vehicles, evidence indicates that DMVM and the agencies could reduce commuting use. We reviewed vehicle use in 39 cases where commuting over 6,000 miles in state vehicles was reported between November 1, 1989 and October 31, 1990. These 39 employees reported commuting use in the amount of \$89,995 for that period which accounts for approximately 21% of the total commuting value reported.

We found that in 30 (77%) of the 39 cases the commuting use may not meet regulatory criteria. We found:

- In all 30 cases, the number of commuting miles driven as a percentage of total miles exceeded the national government average of 16% and ranged from 33% to 88% of total miles. In 19 (63%) of the 30 cases, more commuting miles than official miles were placed on the vehicle. In one case, the commuting mileage was 18,154 while the official mileage was 2,499.
- In 29 (97%) of the 30 cases, the justification for the assignment of the vehicle may not have met B&CB assignment criteria (see p. 5). Therefore, if the vehicle should not have been permanently assigned, any commuting use would be inappropriate.
- In 9 (30%) of the 30 cases in our sample, commuting more than 10,000 miles was reported. In one case over 25,000 miles in commuting was reported.
- In 12 (40%) of the 30 cases, the vehicles were leased from DMVM. Thus, these agencies were charged for all miles driven, both commuting and official. For example, in one case, we estimate the agency could have saved over \$3,000 in lease charges if POV reimbursement had been paid rather than assigning a state car and allowing commuting. For all 12 cases we estimate the state could have saved over \$27,000. We did not estimate the savings for agency-owned vehicles due to variations in cost.

Commuting Use Statewide

A 1989 survey by Runzheimer International, management consultants for travel and living costs, found that 79% of government fleets do not permit the personal use of fleet cars. In some states, there is a commuting limit beyond which employees are charged for commuting. As an example, in South Carolina, the average number of commuting miles driven by state employees was 2,819 miles for the period November 1, 1989 through October 30, 1990. We identified 198 employees who commuted more than the average number of miles. Twenty-one of these employees commuted over 10,000 miles. We estimate, based on a charge rate of 26 cents per mile, the state could have collected over \$160,000 if these 198 employees had been charged for commuting mileage over the average. Requiring the employee to reimburse the state for commuting use could serve as a disincentive for using state vehicles to commute.

We also reviewed all state agencies to determine if the number of commuting miles per agency as a percentage of total miles exceeded the fleet average reported in 1990 by the National Association of Fleet Administrators. We compared the total number of commuting miles reported to DMVM for the period November 1, 1989 through October 31, 1990 to the total miles reported on DMVM management questionnaire for FY 89-90. We identified 11 small state agencies (less than 20 vehicles) which exceeded the national average of 16% for commuting miles. The percentages ranged from 23% to 69%. We estimate that one agency with three vehicles drove 30,554 total miles and that 69% of those miles were commuting.

Recommendations

- 4 The General Assembly may wish to consider reviewing the personal use of state vehicles to determine if:
 - a Commuting should be eliminated or state employees should reimburse the state for commuting.
 - b A limit should be placed on the amount of commuting allowed.
- 5 The B&CB should grant the state fleet manager the authority to review the commuting use of state vehicles and ensure that requirements of the Motor Vehicle Management Act are met.

Calculation of Economic Value

We reviewed efforts to ensure that IRS reporting requirements are met. We found examples of state employees using the wrong method to calculate the economic value or incorrectly calculating the economic value. In addition, we found that the personal use of unmarked law enforcement vehicles may not be exempt from reporting requirements in certain instances.

The Internal Revenue Service (IRS) requires individuals to report the economic value of fringe benefits for tax purposes unless the individual is exempt from reporting under IRS regulations. The B&CB, in accordance with IRS regulations, approved three different calculation methods which state employees may use in determining the value of the commuting use of a state vehicle. The B&CB requires state employees to

use the cents-per-mile method whenever possible and to use the commuter or annual lease method only if they do not qualify for the cents-per-mile method.

Eighty-one (13%) of the 644 state employees who reported commuting income used a method other than the cents-per-mile method. In our sample of 39 state employees who commuted more than 6,000 miles, two chose another method even though they qualified for the cents-per-mile method. As a result, the individuals lowered their reported total income by a combined \$2,166.

We also found 17 employees who used an incorrect cost-per-mile figure when calculating the economic value of their commuting use. The employees used 24 cents per mile rather than the 1990 figure of 26 cents per mile in calculating their economic value. This lowered their combined total reported income by almost \$1,200.

We reviewed the exemptions allowed law enforcement officers for the personal use of their police vehicles. We found one law enforcement agency which allowed officers to use their state vehicles to visit a relative who lives out of the officer's assigned county once per month. According to IRS officials, this policy does not jeopardize the exemption from reporting for clearly marked police vehicles, due to the deterrent effect of these vehicles. However, the use of unmarked vehicles to visit a relative once per month may not be exempt from reporting requirements. According to officials with the law enforcement agency, 152 unmarked cars could be used once each month to enable an officer to visit a relative. During the exit process, the agency revised its policy on the use of unmarked cars. The revised policy may reduce the number of vehicles which may not be exempt from IRS reporting requirements.

Recommendations

- 6 The B&CB and state agencies should ensure that state employees use the correct method when calculating the economic value of their commuting mileage.
- 7 State law enforcement agencies should examine the personal use of unmarked cars to ensure their use is in compliance with IRS regulations.

Approval and Oversight

Regulation 19-603 places the authority for assigning a state vehicle and authorizing its commuting use with the agency head. In 1990, at least 63 agency heads made decisions regarding whether an employee met the assignment requirements and could be authorized to commute. In addition, we found agency heads approved themselves as meeting the criteria and also authorized themselves to commute. This, in effect, allows an agency head to increase his total compensation. We found:

- In 12 (92%) of the 13 cases where assignment of a state vehicle may not have met B&CB criteria (see p. 5), the agency head approved him/herself as meeting one of the six criteria for assignment.
- In two cases, being an agency head was cited as justification for assignment even though Regulation 19-603 states that the assignment of a state car, "... shall not be made as a perquisite of office"

We also found:

- 12 (86%) of the 14 agency heads in our commuting sample who may not have met B&CB commuting criteria (see p. 8), had authorized themselves to commute.

The Motor Vehicle Management Manual states that the use of a state vehicle for commuting should be "... used sparingly" However, DMVM has delayed developing a specific section dealing with commuting because the IRS regulations dealing with commuting were not finalized until 1989. DMVM officials state they plan to revise the motor vehicle manual and to include a section on commuting in the new version. As of December 1990, DMVM had not begun the revision of the manual. Additionally, the DMVM form used to authorize commuting does not require a specific justification for the commuting use.

One of the six assignment criteria allows agency heads to assign themselves vehicles if, in their opinion, it is "in the best interests of the state."

In our 1988 audit, we recommended agency heads ensure that individual vehicle assignments were made in compliance with state law. In its 1988 management review, DMVM noted that some state vehicles may be assigned as perquisites. In October 1990, during the course of our review, DMVM requested that the Budget and Control Board grant the state fleet manager approval authority over all permanent assignments. Of the

seven southeastern states we surveyed, four (North Carolina, Virginia, Alabama, and Tennessee) have greater centralization of approval authority.

Since the commuting use of a state vehicle is a form of compensation, state agency heads who authorize themselves to commute are, in effect, increasing their total compensation. This may be in conflict with the FY 90-91 Appropriation Act which states that salaries noted therein are considered to be in full and no perquisites shall be allowed in addition thereto. According to an official with the Division of Human Resource Management, the personal use of a state vehicle is not considered when determining the salary of state agency heads. In the 12 cases cited above, the economic value of the commuting amounted to an average 3.5% increase in the agency head's salary.

Recommendations

- 8 The B&CB should grant the state fleet manager approval authority over permanently assigned state vehicles and the authorization for commuting use.
- 9 Regulation 19-603, which states vehicles may be assigned if it is "in the best interest of the state," should be clearly defined.
- 10 DMVM should revise the permanent assignment form to require a specific justification for the commuting use of a state vehicle.

Appropriation Act

In our 1988 audit, we noted that each Appropriation Act since FY 84-85 had contained conflicting provisos concerning the personal use of state vehicles. One proviso stated that an employee could receive no compensation in addition to his salary. Any perquisite was to be charged for at the prevailing local rate. A second proviso directed the Budget and Control Board to devise a method for the reporting of the personal use of a state vehicle for tax purposes, thus implying that a state employee was to be taxed for the personal use of a state vehicle rather than charged for it at the prevailing local rate.

The conflicting provisos continued until FY 90-91, when the proviso calling for commuting use to be treated as taxable income was removed.

According to state officials, the proviso was removed because it was felt that there was no longer any need for the proviso since the B&CB had developed a method for the calculation of personal use. However, the proviso stating that an employee should receive no compensation in addition to his salary remained.

A 1979 Attorney General's opinion states that the personal use of a state vehicle is a perquisite as defined by the proviso. Thus, technically, state employees should have been charged at the prevailing local rate for the commuting use of their state vehicle in FY 90-91. For FY 91-92, the House Ways and Means Committee has passed a proviso which would allow the personal use of state vehicles to be treated as taxable income.

Recommendation

-
- 11 The General Assembly may wish to consider clarifying whether the personal use of a state vehicle is to be reported as additional income or to be charged for at the prevailing local rate.
-

Use of Privately-Owned Vehicles

Use of a privately-owned vehicle (POV) for official travel accounted for approximately 52 million miles or 24.6% of the total miles traveled by state employees. Our analysis indicates that state employees are using their privately-owned vehicles when it would be less expensive to assign them state cars.

Section 1-11-220 of the South Carolina Code of Laws states:

The Budget and Control Board shall, through their policies and regulations, seek to . . . eliminate the reimbursable use of personal vehicles for accomplishment of official travel when this use is more costly than use of state vehicles.

We reviewed DMVM's efforts to comply with this section and found the following.

Privately-Owned Vehicle Reimbursement

For FY 90-91, we identified 337 cases statewide above the "break-even point" or that point at which it was more economical to assign individual state cars rather than pay POV reimbursement. We estimate that the state could have saved approximately \$218,000 in these cases through assignment rather than POV reimbursement.

DMVM no longer checks to determine if an individual has exceeded the break-even point above which it is less expensive to assign an employee a state car. According to a DMVM official, because the difference between DMVM's lease rate and the POV rate was negligible, they felt the savings would be minimal.

However, state law requires DMVM to eliminate the reimbursable use of personal vehicles where it is more costly to the state; DMVM's manual requires state agencies to develop policies to reduce POV use. Regulation 19-608 requires employees to use a state vehicle wherever possible. In 1988 we recommended state agencies reevaluate whether state employees with high POV reimbursement could be assigned a state car. As we noted on page 3, redistribution of the fleet could result in increased cost-effectiveness.

Recommendation

- 12 During an agency's management review, DMVM should identify all individuals earning above the break-even point in POV reimbursement and report this information to agency officials and the B&CB. State cars should be assigned to those individuals for whom it would be more cost-effective.

POV Rate

The reimbursement rate for the use of a privately-owned vehicle is not revised on a regular basis. As a result, from FY 86-87 through FY 89-90, the POV rate was 21 cents. In FY 90-91, the rate was revised to 25.5 cents to match the IRS' standard mileage rate.

South Carolina's POV rate has not always matched the IRS'. From 1986 through 1989 the IRS rate rose from 21 cents to 25.5 cents while South Carolina's rate remained at 21 cents. Thus, during those years, state employees earned less POV reimbursement than allowed by the IRS.

However, the new 25.5 cent rate makes South Carolina's POV rate the highest in the southeast. In addition, a 1990 survey conducted by the National Association of State Auditors, Comptrollers and Treasurers (NASACT) found South Carolina's POV rate to be higher than 33 (82.5%) of 40 respondents. According to a 1989 Runzheimer survey, the average government reimbursement rate was 22.2 cents.

We estimate that the 4.5 cents increase will add \$2.3 million to the total POV reimbursement paid to state employees for FY 90-91. Without an increase in travel budgets to offset the increased rate, agencies might have to reduce travel necessary to accomplish their mission. For example, we estimate that one agency that paid \$1.6 million for POV travel in FY 89-90 would pay \$1.96 million in FY 90-91.

In addition, the POV rate is a part of the break-even formula. Increasing the POV rate lowered the point at which it would be more economical to assign a state car to an employee rather than reimburse him for the official use of his private vehicle. Raising the POV rate to 25.5 cents lowered the break-even point from 19,950 to 14,600 miles. Thus, while in FY 89-90, for 81 employees it would have been more economical to assign state vehicles rather than reimburse, for FY 90-91, this number rose to 337.

The B&CB committee formed to examine and revise the travel reimbursement policies has been dissolved and no mechanism has been established to regularly review travel rates, including POV. In addition, DMVM was not a member of the committee established to revise the rates.

Recommendation

- 13 The B&CB should establish a method for the regular review of the POV reimbursement rate. This mechanism should include input from DMVM.

POV Rate Differential

The use of two different POV rates that are nearly the same does not provide a disincentive to POV use. South Carolina allows an employee to be reimbursed at 25.5 cents per mile for the use of his private automobile if a state car is unavailable. However, the rate drops to 24.5 cents when a state car is available and the employee still chooses to use his own car.

We attempted to determine the number of miles driven at the lower rate. Out of the top five POV reimbursing agencies, one maintained this information on its accounting system. In FY 89-90, this agency paid 3% of its total POV at the lower rate. We estimate the agency saved \$2,332 out of a total POV expenditure of approximately \$1.6 million.

Of the seven southeastern states (Alabama, Florida, Georgia, Mississippi, North Carolina, Tennessee and Virginia), only North Carolina had two different POV rates. In North Carolina the rate difference is five cents. A survey conducted by the National Conference of State Fleet Administrators (NCSFA) found four other states out of 21 respondents which had rate differentials. Texas had the greatest differential; if a state car was available, Texas did not pay POV. Two other states reduced their POV rate by 50% if a state car was available; the remaining state by six cents. In a presentation to the B&CB in October 1990, DMVM stated it planned to study the rate differential issue.

Recommendation

- 14 The General Assembly may wish to consider widening the POV rate differential as a disincentive to POV reimbursement when a state vehicle is available or eliminate the rate differential.

Vehicle Identification

Section 1-11-320 of the South Carolina Code of Laws requires DMVM to assure that agencies identify all state vehicles by using permanent state government license plates and either state or agency seals. This section does not apply to law enforcement vehicles, when it is determined by the Budget and Control Board, after consulting with the Chief of SLED, that the safety of the officer or the results of the investigation would be jeopardized. The B&CB may also exempt vehicles which transport human services clients.

Since 1988, DMVM has made improvements in seal exemption records. Since July 1990, DMVM has required agencies to resubmit all seal exemption justifications for re-approval, and has reported agency noncompliance in the management review. However, we found problems in the area of confidential tag administration.

Confidential Tags

We identified problems with the administration of confidential (non-state government license plates) tags. In December 1987, 554 state vehicles had confidential tags. As of September 1990, this number had increased to 759, a 37% increase. South Carolina had the highest number of confidential tags of 16 states that responded to a November 1990 National Conference of State Fleet Administrators survey. Two of the requests we reviewed were approved without justifications, and requests covering 504 vehicles were approved without explicit justifications. Requests with justifications such as "law enforcement" and "undercover" were approved.

Also, requests had not been approved in consultation with the Chief of SLED, as required by §1-11-320 of the South Carolina Code of Laws. A SLED administrative employee approved, and signed off on the requests for the Chief. In addition, DMVM had not disapproved a request since 1987, and SLED officials indicated that they could not remember disapproving any requests.

Agencies are allowed to include multiple vehicles on one request with a blanket justification. This makes it possible for law enforcement agencies to include requests for vehicles assigned to management and administrative employees along with the requests for front line police vehicles. We found requests for 42 management employees who were included along with front line law enforcement under the justification of undercover work. Also, requests for confidential tags for three agency commissioners, two state agency heads and a university administrator were approved.

DMVM also grants requests for confidential tags for an indefinite period making it incumbent upon agency heads to update their requests. DMVM has not made an effort to update and review the justifications for the requests for confidential tags, as it has with the seal exemption requests. Of the current confidential assignments, 46% were last reviewed and approved in 1987. The federal government grants exemptions on an

annual basis, and the General Assembly in the state of North Carolina approves confidential tags for each fiscal year.

Section 1-11-320 of the South Carolina Code of Laws, requiring that all state vehicles be identified by using state license plates and either state or agency seals, is ambiguous. DMVM interpreted the statute to mean that confidential tags were restricted to certain law enforcement and human services vehicles until 1987, when they were verbally advised by the Attorney General's office that the statute allowed the B&CB authority to approve any request.

A consultant hired by DMVM recommended that the B&CB seek an Attorney General's opinion to clarify the statute. Minutes from the October 1990 B&CB meeting reflect that the B&CB did not vote on a motion not to seek an opinion.

Some confidential tag requests do not meet the current requirements, but they may be in the best interest of the state. These include confidential tags assigned to undercover state employees that would not qualify as law enforcement under the B&CB's definition of law enforcement. Others, such as confidential tags approved for vehicles used in economic development, also would not meet the guidelines of the current statute using the pre-1987 interpretation.

Operating vehicles with confidential tags reduces the assurance that the vehicles will be used strictly for state business. Highly visible identification of state vehicles is an effective deterrent against unauthorized use, vehicle abuse and excessive highway speeds which can lead to increased operating expenses. During the course of the review, DMVM and SLED took steps to ensure that confidential tags are reviewed in accordance with statutory requirements.

Recommendations

- 15 Confidential tag requests should be reviewed as required by §1-11-320 of the South Carolina Code of Laws.
- 16 DMVM should ensure that agencies are not submitting requests for administrative employees together with requests for line law enforcement.

- 17 DMVM should periodically review confidential tag requests to ensure that they are valid and updated.
- 18 For clarification, DMVM should request an Attorney General's opinion of §1-11-320 of the South Carolina Code of Laws.

Fleet Safety Program

Section 1-11-340 of the South Carolina Code of Laws, enacted in 1982, required the B&CB to develop and implement a statewide fleet safety program. This program was an attempt to minimize the state's insurance premiums and reduce the number of auto accidents involving state-owned vehicles. In 1987, the Division of Motor Vehicle Management implemented the fleet safety program throughout state agencies. Major areas of the program include an accident review board, driver record screening, defensive driver training, and submission of quarterly accident reports to DMVM. This program, which has received national recognition, has coincided with a decrease in the state's accident rate.

Agencies that are in total compliance with the Fleet Safety Program have accident rates significantly lower than those agencies not in compliance. For example, in 1990, there was an accident rate of 6.7 per million miles for agencies in compliance with the program. Those agencies not in total compliance had an accident rate of 9.4 per million miles. The overall accident rate for state agencies in 1990 was 7.0 per million miles, down from 8.2 per million miles before program implementation. According to DMVM estimates, a reduced accident rate in 1989 resulted in a savings of \$600,000 in premiums and accident costs. It should also be noted that a lower accident rate may have a direct impact on the insurance premiums paid by the state.

Some agencies have internal systems in place to review driver records without the assistance of DMVM. In some instances, these programs have not been approved by DMVM.

Recommendation

- 19 DMVM should require agencies to comply with the requirements established under the fleet safety program. For those agencies that have direct access to driver information, DMVM should approve their systems and review them for compliance.

Chapter 2
Vehicle Assignment and Use

Acquisition and Disposal

Acquisitions of State Vehicles

Section 1-11-310 of the South Carolina Code of Laws requires the Budget and Control Board [acting through DMVM] to purchase and dispose of vehicles on the basis of maximum cost-effectiveness and lowest anticipated total life-cycle costs. This chapter evaluates DMVM's compliance with requirements governing the acquisition, replacement and disposal of state vehicles, and recommends changes in the areas of optional equipment and fleet purchases which could result in cost-savings. In FY 89-90, the state purchased 1,578 vehicles, at an approximate cost of \$22 million, of which 1,326 were replacement vehicles and 252 were fleet additions. Of the 1,578 vehicles, 264 were purchased by DMVM and the remaining 1,314 were purchased by other state agencies. Additionally, DMVM disposed of 243 vehicles at an average sales price of \$1,400. We reviewed a random sample of 46 purchases (covering 179 new vehicles) approved by DMVM during FY 89-90, and found that DMVM has not fully enforced the requirements governing optional equipment and fleet additions.

Optional Equipment

DMVM does not consistently require agencies to justify requests for optional equipment beyond its approved list of options. In addition, DMVM's list of approved options may need to be revised periodically. The state contract with automotive dealers sets a "base" price for the vehicle, with a variety of optional equipment listed at additional cost. Under a written policy, DMVM automatically approves some optional items which the State Motor Vehicle Specifications Committee has recommended should be viewed as standard equipment, taking into account such factors as potential resale and what equipment is generally available on new vehicles. These items are automatic transmission, air-conditioning, tinted glass, AM-FM stereo radio, cruise control, steel-belted tires, and power brakes and steering. Policy requires any additional options to be fully justified by the agency requesting them.

Thirty-two of 46 randomly chosen purchases reviewed under the state contract included options in addition to the options automatically approved by DMVM. These additional options totaled \$65,398. Of this amount, no justification was provided for \$44,107 (67%) of option costs which required more than automatic approval by DMVM. The options included larger engines (\$21,849, 32 vehicles), split seats (\$9,749, 20 vehicles) and extended length on trucks (\$2,472, 9 vehicles). There was

no documentation in the records that DMVM followed up on or questioned the absence of justification.

Additionally, the approved options list may need revising. We found, according to a national study conducted by Runzheimer in 1989, only 28% of government fleet cars were equipped with cruise control. However, DMVM does not require justification for cruise control.

Recommendations

- 20 DMVM should enforce its policy of requiring full justification for all optional equipment which does not fall within the options automatically approved.
- 21 DMVM should periodically review the list of options which it automatically approves to determine whether any items should be added or deleted.

Fleet Additions

DMVM has permitted agencies to add to the fleet without certifying that no other vehicle is available that would meet their need. Sixteen of the 46 purchases that we reviewed were for fleet additions of one or two vehicles. Nine (56%) of the 16, with an acquisition cost of over \$117,000, did not contain the required agency certification that no other vehicles were available to fill the need.

Regulation 19-604 requires that agencies provide justification for additional vehicles above their current allowance. The justification must state whether the need for the additional vehicle was created by a new program or expansion of an existing program. Additionally, the agency director must certify that there are no other agency vehicles available to reassign to fill the need. The agency director's certification is a mechanism established by DMVM to help serve as a check on unnecessary fleet expansion, and should be enforced.

Recommendation

- 22 When approving fleet additions, DMVM should enforce its requirement that agency directors certify that no other appropriate agency vehicles are available for reassignment.
-

Purchase of Used Vehicles

In FY 89-90, the state purchased fewer than 24 used vehicles, compared with 1,578 new vehicles. According to DMVM's Motor Vehicle Management Manual it is not policy to purchase used vehicles. However, there are advantages to purchasing used vehicles. The book, *Public Automotive Fleet Administration*, written by a consultant with 20 years experience in state government vehicle management, states that one advantage to purchasing used vehicles is the lower initial cost.

We reviewed southeastern states' motor vehicle manuals and found one state, Georgia, which discussed the advantages of purchasing one-year-old vehicles. These advantages included initial cost savings, depreciation savings, added options (for example, rental fleet vehicles usually have a wider variety of optional equipment, which enhances resale value), and immediate delivery.

Recommendation

- 23 DMVM should reevaluate policy to consider whether the purchase of one-year-old vehicles would be feasible and would result in cost savings.
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Vehicles for Consultants

During our review of vehicle acquisitions we found one agency which allows consultants, contracted to perform agency projects, to purchase vehicles without going through DMVM's acquisition procedures. These vehicles are purchased by consultants working on projects that extend over a considerable period of time and thus, it is more cost-effective to purchase rather than lease. According to agency officials, the vehicles are initially titled to and insured by the consultants. At the conclusion of the project, the vehicle is turned over to the agency and it determines whether to sell or retain the vehicle. As of January 1991, eight vehicles, with a total acquisition cost of over \$100,000, had been purchased by

these consultants. According to agency officials, none of the vehicles had yet been turned over to the agency.

DMVM's authority applies to state-owned vehicles. The vehicles purchased by consultants, while not titled to the state at the time of purchase, are paid for partly with state funds and eventually become state property.

Recommendation

- 24 The Budget and Control Board should review the purchase of vehicles by consultants and determine whether they should be bought in accordance with procedures covering the acquisition of state vehicles.

Replacements and Disposal of State Vehicles

Full-size sedans are the least cost-effective means of transportation, and DMVM officials have not determined how many full-size sedans in the state fleet could be downsized. DMVM has been following a policy of allowing in-kind replacement for state vehicles which are disposed of. Currently, if an agency disposes of a vehicle, it is eligible to replace it with the same size vehicle.

State law requires the Budget and Control Board to achieve "maximum cost-effectiveness" in the use of state vehicles. DMVM is responsible for establishing criteria for the replacement and disposal of state-owned vehicles.

The life-cycle costs of a single full-size sedan is \$2,906 higher than that of an intermediate over a four-year period. The life-cycle costs are based on purchase price, projected four-year fuel expenditures and projected four-year resale value. There are currently 734 full-size sedans in the state fleet (excluding full-size police sedans assigned to police agencies).

In 1988, we recommended that the Budget and Control Board establish eligibility criteria for vehicle size based on job requirements. DMVM has not complied with this recommendation. In its 1988 management review DMVM indicated they would conduct a study to determine if eligibility criteria should be revised, and submit recommendations to the Budget

and Control Board. DMVM began data collection for the study in January 1991. While DMVM allows in-kind replacement for replacement vehicles, if a car is a fleet addition, its size must be justified.

The full-size sedan offers more interior room, larger trunk space and greater seating capacity. However, without a clear policy basing the size of vehicles on job requirements, DMVM cannot determine if the additional room is worth the extra \$2,906 expense to the state. If all of these vehicles were downsized to intermediates, we estimate the state could save as much as \$2.13 million over four years.

Recommendations

-
- 25 The B&CB should grant the state fleet manager authority to review the functional use of full-size sedans in the state fleet and determine which could be downsized.
 - 26 The B&CB should grant the state fleet manager the authority to establish eligibility criteria for the replacement of a state vehicle which bases the size of the vehicle on needs determined by job function.
 - 27 DMVM should require agencies to justify the size car needed for replacements as well as for fleet additions.

Disposal Policy

DMVM has not ensured that vehicles intended for disposal are disposed of in a timely manner. We reviewed the state fleet inventory and found 395 vehicles that should have been disposed of, but were not.

When requesting a replacement vehicle, state agencies are required to fill out form 6-77. The form lists the new vehicle and specifically identifies the old vehicle it is replacing. A DMVM official indicated it takes approximately four months for a new vehicle to arrive after it has been ordered and three months to sell the old vehicle after sending it to surplus property.

We reviewed the state fleet inventory and found 395 vehicles that had been requisitioned against for over one year. Twenty-eight of these

vehicles belonged to DMVM and 133 had been requisitioned against since 1987.

Regulation 19-604 requires agencies to justify fleet additions. By delaying the disposal of vehicles, agencies can circumvent this regulation by temporarily increasing their fleet size. Also, a DMVM official stated that agencies desiring to delay disposal of a vehicle are required to make a written request to the state fleet manager. We found three such requests on file for the 395 vehicles requisitioned against for over one year. During the course of our review, DMVM established a policy requiring agencies to dispose of vehicles within 90 days after the delivery of their replacement. Delaying the disposal of vehicles can increase fleet size without proper justification.

Recommendation

- 28 DMVM should ensure that the 395 vehicles identified as requisitioned against are disposed of, and should monitor the disposal process to ensure compliance with the 90-day disposal time limit.
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Disposal Criteria

DMVM has not analyzed the disposal criteria to ensure it is the most cost effective. We reviewed the disposal of a random sample of 66 vehicles. All the vehicles either met the current DMVM age or mileage criteria or the agencies documented extenuating circumstances such as Hurricane Hugo.

For example, DMVM disposes of passenger cars larger than subcompacts after 4 years or 70,000 miles. A January 1991 DMVM vehicle cost summary report indicated that the agency was keeping passenger cars an average of 4.3 years and 78,000 miles. The average for other agencies in our sample was 5 years and 89,000 miles.

Section 1-11-310 of the South Carolina Code requires DMVM to "purchase, acquire, transfer, replace and dispose of all motor vehicles on the basis of maximum cost effectiveness and lowest anticipated total life cycle costs." Fleet literature documents that the first step in controlling costs is an accurate disposal criteria. Fleet literature also recognizes that the optimum time to dispose of vehicles varies with each organization.

A study by the Joint Legislative Audit and Review Commission in Virginia recommended a 95,000-mile disposal criteria for passenger cars. A survey completed by the National Conference of State Fleet Administrators representing 26 states indicated that the average disposal policy for passenger cars, averaged separately on the two variables of mileage and age, was 80,000 miles or 5.4 years. Other sources recommend a shorter disposal cycle. For example, a consulting firm in the state of Oregon recommended a 60,000- to 65,000-mile disposal criteria. The federal government uses a 6-year or 60,000-mile disposal criteria. The length of the replacement cycles varies with different entities. Factors such as geographic region, traffic conditions, road conditions, and maintenance costs all play a role in determining the appropriate disposal criteria. During the exit process, we were advised by DMVM that they had completed analysis of the disposal criteria and were in the final stages of revising the policy.

Recommendation

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- 29 DMVM should update the analysis of the disposal criteria on a regular basis and ensure it is the most cost effective.

Chapter 3
Acquisition and Disposal

Maintenance

Maintenance Issues

Proper maintenance is a vital element of fleet management because it affects the cost of operations, the effectiveness of overall service delivery, and the ability of state employees to obtain reliable transportation. Fleet literature documents that maintenance is an ongoing cost factor which must be considered by an effective fleet administrator. A DMVM official stated that the state spends approximately \$28 million a year on maintenance in state facilities, which includes vehicle and other equipment maintenance. Section 1-11-290 of the South Carolina Code of Laws requires the Budget and Control Board to develop a plan to achieve "maximally cost-effective" vehicle maintenance. DMVM has shown overall progress in its efforts to comply with this portion of the statute. However, duplication of maintenance facilities exists and, although agencies must comply with the state procurement code, the requirement for central purchasing has not been enforced.

Duplication of Maintenance Facilities

DMVM has not followed a prior recommendation to reevaluate the cost-effectiveness of consolidation of maintenance facilities. For example, 14 separate maintenance facilities are state-operated in the Columbia area alone, and there are a total of 82 facilities statewide. Section 1-11-300 requires the Budget and Control Board to "promulgate regulations regarding the purchase of motor vehicle equipment and supplies to ensure that agencies within a reasonable distance are not duplicating maintenance services or purchasing equipment that is not in the best interest of the State."

In FY 89-90 and FY 90-91, DMVM requested \$300,000 for a consultant study to examine duplication of maintenance and other fleet issues. This request was not made for FY 91-92. Another consultant hired by DMVM suggested that the agency conduct a test project. Failure to comply with this statutory mandate may be resulting in increased expenditures for state vehicle maintenance. DMVM has stated this is an area where public funds could be conserved.

Recommendation

Maintenance Facility Certification/Central Purchasing

30 DMVM should study the feasibility of consolidating maintenance facilities and make changes as necessary.

DMVM has responded to a prior recommendation to modify the maintenance facility certification checklist. DMVM conducts an annual review (certification) of state maintenance facilities to assure compliance with maintenance program guidelines. Previously, the different program requirements on the checklist were weighted differently. Agencies could fail to meet the standards in two of the five areas and still be certified. Now each component has an equal weight.

In its review of agency purchasing, however, DMVM still does not require central purchasing as part of the evaluation process. In the agency's response to our 1988 report, DMVM noted that central purchasing may not be possible. Section 1-11-290 of the South Carolina Code of Laws requires central purchasing to ensure that parts and supplies are purchased in the most cost-effective manner.

DMVM has stated that since agencies must comply with the state procurement code, central purchasing is not an issue. However, the state procurement code excludes purchases below \$500 from the bidding process. DMVM's failure to require consolidated purchasing may result in excessive prices being paid for parts and supplies. In addition, DMVM's experience with the commercial vendor repair program (see p. 34) supports the concept of consolidated purchasing.

Recommendation

31 DMVM should review the use of central purchasing as a component of the maintenance facility certification process.

Motor Pools

Regulation 19-603(b) states that agencies operating motor pools shall develop appropriate management procedures and that they be forwarded to the state fleet manager for approval. DMVM has complied with recommendations to monitor and report noncompliance with the regulation in the management review and to formally approve or disapprove all motor pool procedures submitted.

We also recommended that state agencies submit motor pool procedures to DMVM for approval. In the FY 84-85 management review, 34 (68%) of 50 had submitted plans; the compliance has improved, as 38 (84%) of 45 agencies reported submitting plans in FY 89-90.

Recommendation

32 State agencies should submit motor pool procedures to DMVM for approval.

Uniform Cost Accounting

Section 1-11-300 of the South Carolina Code of Laws requires the Budget and Control Board to develop a uniform method to be used by the agencies in calculating cost per mile. DMVM followed a prior recommendation to comply with the statute by distributing uniform cost-per-mile information in July 1988. The information was also provided in Appendix D of the 1988 Management Review.

Gasoline Purchases

DMVM has complied with a recommendation to require justification for agencies exceeding the 20% commercial gasoline purchase limit. DMVM continues to rely on purchase information reported by the agencies; the pending statewide information system will enable them to perform more thorough checks of the reported information.

Commercial Vendor Repair Program

DMVM's commercial vendor repair program is an innovative means to lower state vehicle maintenance costs. DMVM solicited vendor recommendations from local officials throughout the state, then sent invitations to the vendors to bid on routine vehicle maintenance services. This information was compiled using a computer system. Drivers call a "toll-free" number to find out the lowest price on the needed service in their location.

The commercial vendor repair program was implemented in July 1989 and initially used by the DMVM fleet only. During the period November 1988 through November 1990, DMVM fleet lifetime maintenance costs dropped 27.6%. A DMVM official stated that the commercial vendor repair program was the primary factor in the savings, along with improvements in vehicles and longer vehicle warranties. One agency served as a test agency beginning in February 1990 and saved an estimated \$20,000 during the first five months of the program. The agency is projecting a savings of approximately \$39,500 or 41% for FY 90-91. DMVM has now invited all agencies to participate in the program.

Recommendation

- 33 DMVM should continue expansion of the commercial vendor repair program to other state agencies.

Issues For Further Study

Information System/Record-Keeping

DMVM does not currently maintain cost information on the entire state fleet. The agency maintains an inventory of all state vehicles, but only maintains cost data on the vehicles owned by DMVM; some data is maintained manually. Fleet literature recommends automation and computerization as the most effective method to obtain needed data. Manual or paper systems require extensive man-hours to perform analyses or to audit performance. We did not perform a complete review and evaluation of DMVM's information system. However, we encountered several problems in data collection that slowed our review and made analysis difficult.

For example, DMVM does not maintain data on commuting miles driven. Without this information, DMVM cannot determine if too much commuting is taking place or compare commuting mileage to other fleets. DMVM notes in their FY 91-92 budget request that the ability to analyze commuting use will be one of the benefits of the proposed statewide information system.

Another example of the inadequacy of the current information system is the inability of DMVM to provide a yearly report of vehicles being driven less than 1,500 miles per month. DMVM has the ability to provide monthly reports, but a yearly report is needed to target vehicles which are consistently being driven less than the minimum mileage of 1,500 miles per month. The lack of a yearly report makes it difficult to ensure the fleet is being managed in the most cost-effective manner.

DMVM's information technology plan has been approved by the B&CB, and funding has been requested from the General Assembly for the implementation of a statewide information system.

A fully automated statewide information system could aid DMVM in achieving a more cost-effective fleet management program. A statewide system would also aid DMVM in obtaining better vehicle utilization, which could lead to the reduction of the number of vehicles and the reduction in the size of vehicles being used. The system would help DMVM meet the statutory mandates of determining the cost-effectiveness of state versus commercial maintenance facilities and in assuring that the purchase and disposal of state vehicles are based on maximum cost-effectiveness. Without standard statewide data, DMVM cannot ensure that they make the most useful comparisons to other fleets to determine the effectiveness of their efforts.

Recommendation

- 34 DMVM should work closely with the Research and Statistical Services Division of the B&CB in automating record-keeping and implementing a statewide information system. Provisions should be made to preserve a historical record which will meet DMVM's data needs in managing the state fleet and the needs of auditors and other analysts.
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Vehicles Purchased With Non-State Funds

In reviewing our sample of vehicle acquisitions for FY 89-90, we identified one category of vehicle acquisitions which is funded with non-state funds. This involves the purchase of vehicles with local funds by technical colleges, and is discussed below. We did not review any other circumstances where non-state funds were used.

Section 1-11-220 gives DMVM authority over the purchase of state-owned vehicles. Regulation 19-600 defines state-owned vehicles as, essentially, vehicles which are operated by state employees and purchased with state funds. A vehicle which is paid for with only 1% state funds and 99% other funding still must be approved by DMVM.

There are 16 technical colleges in South Carolina which fall within the jurisdiction of the State Board for Technical and Comprehensive Education (State Tec Board). All personnel employed by technical colleges are, by statute, state employees. In FY 89-90, 8 of the 9 motor vehicles purchased by technical colleges were paid for with entirely local funds. DMVM and the State Tec Board have an unwritten agreement whereby DMVM processes all vehicle acquisitions by local technical colleges, even when funded with 100% local funds. According to officials with DMVM and the State Tec Board, this procedure was implemented so that the vehicles purchased by technical colleges would be those approved under the state contract, and the purchase of luxury cars would thus be avoided. However, since these acquisitions do not technically fall under DMVM's approval authority, DMVM does not closely scrutinize the requests.

In our sample of acquisitions, we found one technical college which in November 1989 requested a vehicle under the state contract, costing \$12,661. In May 1990, the college canceled the order and, in June 1990, after the state contract for 1990 vehicles had expired, bought another vehicle, costing \$15,964. According to a DMVM official, the reason given by the technical college for purchasing outside the state contract was that

the college would otherwise lose the funds. DMVM approved both requests to purchase. DMVM Regulation 19-604 states:

If requisitions are made during the period when no general vehicle purchase contracts are in effect, complete justification must be forwarded with the requisition. *Purchase of a motor vehicle to prevent loss of funds will not be considered valid justification. [Emphasis Added]*

According to a 1984 Attorney General's opinion, the South Carolina Consolidated Procurement Code applies to local technical colleges even if the college is expending entirely local funds. There appears to be some lack of consistency in requiring technical colleges to comply with the Procurement Code but not with the Motor Vehicle Management Act, when purchasing with local funds. Additionally, there is the prospect that state funds will be used for the support of these and other vehicles purchased outside DMVM's approval authority.

Recommendation

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- 35 The Budget and Control Board may wish to review the effect of agencies purchasing vehicles with other than state funds and consider amending the motor vehicle management regulations to bring these types of purchases within DMVM's vehicle acquisition authority.

Chapter 5
Issues For Further Study

Appendices

Department of Motor Vehicle Management

State-Wide Vehicle Fleet Data: FY 89-90

Agency	Total Vehicles	Vehicles Owned	Vehicles Leased	Full-Size Sedans	Full-Size Police Sedans	Permanently Assigned to Law Enforcement	Permanently Assigned to Others	Vehicles Pooled	Total Mileage
Adjutant General	43	35	8	•	1	•	1	•	214,985
Emergency Preparedness	7	•	7	1	1	•	1	6	121,318
Advisory Comm. on Int. Rel.	1	•	1	•	1	•	1	•	26,990
Aeronautics Commission	27	27	•	•	6	•	7	4	57,000
Commission on Aging	11	•	11	•	•	•	1	4	202,147
Agriculture	40	36	4	7	2	•	1	35	385,535
ABC Commission	84	84	•	30	50	62	5	•	1,845,967
Alcohol/Drug Abuse Comm.	7	•	7	•	•	•	1	•	145,029
Architectural Exams	1	•	1	1	•	•	•	•	15,439
Archives and History	6	4	2	•	•	•	•	6	82,910
Arts Commission	8	2	6	1	•	•	•	6	85,768
Attorney General	5	•	5	2	•	1	1	•	49,930
State Auditor	1	•	1	1	•	•	1	•	5,363
Barbers Board	3	•	3	•	•	•	•	•	22,754
Commission for Blind	10	3	7	•	1	•	1	•	103,737
Budget and Control Board	•	•	•	•	•	•	•	•	•
Executive Director	3	•	3	1	2	•	3	•	30,554
Budget Division	1	•	1	1	•	•	1	•	16,179
Financial Data	2	•	2	1	•	•	1	•	13,809
Fire Marshal	55	8	47	8	16	18	27	•	1,162,212

Appendix A-1
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90

Agency	Total Vehicles	Vehicles Owned	Vehicles Leased	Full-Size Sedans	Full-Size Police Sedans	Permanently Assigned to Law Enforcement	Permanently Assigned to Others	Vehicles Pooled	Total Mileage
General Services ^a	•	•	•	•	•	•	•	•	•
DIRM	15	•	15	•	1	•	1	•	145,828
DHRM	2	1	1	1	•	•	1	•	12,802
Internal OPS	2	•	2	1	•	•	1	•	17,037
Local Government	2	•	2	•	1	•	2	•	22,205
DMVM ^b	2	2	•	•	1	•	•	•	•
Research/Statistics	17	14	3	•	1	•	1	•	94,876
Citadel	58	47	11	1	3	1	1	13	343,363
Clemson University	705	705	•	6	8	3	28	185	5,717,867
Coastal Council	15	7	8	•	1	3	1	14	211,564
College of Charleston	29	26	3	1	•	•	1	18	204,789
Comptroller General	3	•	3	2	1	•	3	•	55,524
Consumer Affairs	9	•	9	1	0	1	1	•	133,729
Continuum of Care	9	9	•	•	•	•	•	•	168,251
Department of Corrections	908	907	1	6	33	5	88	•	8,751,753
Board of Cosmetology	2	•	2	•	•	•	2	•	47,905
Criminal Justice	49	43	6	3	1	•	1	6	134,635
CJ Hall of Fame	1	•	1	•	•	•	•	•	8,786
Deaf and Blind School	83	81	2	4	•	•	•	81	719,172
Development Board	15	•	15	14	•	•	1	14	244,091

Appendix A-1

Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90

Agency	Total Vehicles	Vehicles Owned	Vehicles Leased	Full-Size Sedans	Full-Size Police Sedans	Permanently Assigned to Law Enforcement	Permanently Assigned to Others	Vehicles Pooled	Total Mileage
Department of Education ^c	47	44	3	8	12	•	22	24	652,363
ETV	69	69	•	6	1	•	32	37	279,284
Election Commission	3	3	•	•	•	•	•	3	27,144
Employment Security	17	17	•	3	1	•	1	16	95,538
Environmental Certification	1	•	1	•	•	•	•	•	24,745
Forestry Commission	380	380	•	•	•	2	50	•	2,171,723
Foster Care Review	3	•	3	•	•	•	•	•	51,766
Francis Marion College	38	38	•	2	4	•	1	12	300,842
Governor's Office	168	157	11	4	1	•	•	14	4,157,467
DHEC	462	342	120	5	21	28	71	42	4,839,282
HHSFC	240	222	18	•	2	•	4	•	•
Higher Education	1	•	1	1	•	•	1	•	24,477
DHPT	5,272	5,272	•	91	1,430	979	462	318	81,200,981
State Housing Authority	12	•	12	•	1	•	1	11	193,867
Human Affairs Commission	1	1	•	1	1	•	1	•	24,522
Department of Insurance	4	•	4	1	•	•	1	3	59,584
JEDA	3	•	3	2	2	•	1	2	59,088
John De La Howe	19	19	•	2	•	•	1	4	130,952
Department of Labor	2	2	•	1	•	•	1	1	13,290
Lander College	22	22	•	2	1	•	1	8	139,872

Appendix A-1
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90

Agency	Total Vehicles	Vehicles Owned	Vehicles Leased	Full-Size Sedans	Full-Size Police Sedans	Permanently Assigned to Law Enforcement	Permanently Assigned to Others	Vehicles Pooled	Total Mileage
Land Resources	17	5	12	1	•	•	•	17	227,381
SLED	310	310	•	26	251	261	2	17	6,202,260
State Library	7	6	1	4	•	•	•	7	67,173
Medical Examiners	5	5	•	2	2	•	5	•	105,503
Medical University	79	79	•	6	7	2	1	14	382,671
Mental Health	501	490	11	64	23	8	1	129	4,040,803
Mental Retardation	256	256	•	7	•	1	9	14	2,151,761
Museum Commission	4	•	4	•	•	•	•	4	71,145
Board of Nursing	1	•	1	•	•	•	•	•	23,434
Opportunity School	17	17	•	1	•	•	•	7	62,856
Patriots Point	3	2	1	1	•	•	1	•	13,998
Board of Pharmacy	2	•	2	•	•	•	•	•	50,863
Probation, Parole	59	•	59	1	3	12	•	•	1,337,514
PRT	152	149	3	•	•	•	12	2	1,558,700
Public Service Commission	61	•	61	12	43	50	7	4	1,626,342
Real Estate Commission	2	•	2	2	1	1	1	•	42,515
Reorganization Commission	1	•	1	•	•	•	•	•	7,715
Residential Home	7	•	7	1	•	•	7	•	140,878
Retirement System	4	•	4	1	1	•	4	•	96,103
Sea Grant	2	2	•	•	•	•	•	•	38,685

Appendix A-1
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90

Agency	Total Vehicles	Vehicles Owned	Vehicles Leased	Full-Size Sedans	Full-Size Police Sedans	Permanently Assigned to Law Enforcement	Permanently Assigned to Others	Vehicles Pooled	Total Mileage
Second Injury Fund	1	•	1	1	•	•	1	•	19,018
Social Services	344	23	321	4	1	•	1	32	6,613,032
South Carolina State College	64	64	•	7	5	1	4	18	467,723
Tax Commission	17	•	17	7	9	10	3	4	283,644
Technical & Comp. Ed. Board ^d	17	14	3	12	2	•	6	•	136,685
Tuition Grants	1	•	1	•	•	•	1	•	7,012
USC	411	411	•	22	13	7	5	43	3,052,317
Veterans Affairs	1	•	1	•	•	•	•	•	13,339
Vocational Rehabilitation	141	122	19	1	•	•	•	•	2,065,818
Water Resources	15	•	15	1	2	•	•	15	221,665
Wildlife and Marine	719	713	6	31	132	291	159	51	9,773,655
Winthrop College	68	68	•	1	7	•	2	16	410,002
Workers Compensation Comm.	11	•	11	6	1	•	6	5	232,861
Workers Compensation Fund	13	•	13	1	•	•	13	•	203,610
Youth Services	159	110	49	1	2	1	3	6	1,912,333
Total	12,477	11,475	1,002	447	2,113	1,748	1,091	1,292	159,729,404

Note: Numbers may not total due to incomplete information provided by agencies on DMVM's management review questionnaires.

^a Data was not available.

^b Includes only vehicles assigned to DMVM. Does not include vehicles leased to other agencies.

^c Does not include school buses and service vehicles operated by the Department of Education.

^d Includes only those vehicles operated by the state board. Does not include vehicles operated by the state technical colleges.

Source: DMVM management review questionnaires and LAC records.

Department of Motor Vehicle Management

State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,617 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tags	NonState Government Tags	State Seals
Adjutant General	1	1	\$541	•	•	•	8	35	1
Emergency Preparedness	1	•	•	•	•	•	7	•	•
Advisory Committee on Int. Rel.	1	1	\$2,413	1	34%	•	1	•	•
Aeronautics Commission	4	4	\$597	•	•	•	27	•	26
Commission on Aging	1	1	\$931	1	•	•	11	•	11
Agriculture	1	1	\$1,424	1	•	21	40	•	34
ABC Commission	67	5	\$10,744	4	•	•	•	84	•
Alcohol/Drug Abuse Commission	1	1	\$352	•	•	•	7	•	6
Architectural Exams	•	•	•	•	•	•	1	•	•
Archives and History	•	•	•	•	•	•	6	•	6
Arts Commission	1	1	\$166	•	•	•	8	•	6
Attorney General	1	3	\$2,370	1	•	•	3	2	3
State Auditor	1	1	\$759	1	54%	•	1	•	•
Barbers Board	•	•	•	•	•	1	3	•	3
Commission for Blind	1	2	\$416	•	•	9	10	•	8
Budget and Control Board	•	•	•	•	•	•	•	•	•
Executive Director	3	3	\$5,486	2	69%	•	3	•	•
Budget Division	1	1	\$1,622	1	39%	•	1	•	•
Financial Data	1	1	\$1,481	1	•	•	2	•	1

Appendix A-2
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,817 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tags	NonState Government Tags	State Seals
Fire Marshal	7	30	\$23,635	1	•	2	37	18	37
General Services	•	8	\$5,777	1	•	2	•	•	•
DIRM	1	1	\$1,539	1	•	•	15	•	14
DHRM	1	1	\$290	•	•	•	2	•	1
Internal OPS	1	1	\$1,279	1	29%	•	2	1	1
Local Government	2	2	\$2,400	2	42%	•	1	1	1
DMVM ^a	•	•	•	•	•	•	2	•	2
Research/Statistics	1	1	\$1,201	1	•	•	17	•	16
Citadel	1	•	•	•	•	•	58	•	57
Clemson University	10	•	•	•	•	•	701	4	662
Coastal Council	•	1	\$604	•	•	•	15	•	13
College of Charleston	•	•	•	•	•	•	29	•	29
Comptroller General	3	3	\$3,455	3	29%	•	3	•	•
Consumer Affairs	2	2	\$1,031	1	•	•	4	5	3
Continuum of Care	•	•	•	•	•	1	9	•	9
Department of Corrections	93	48	\$39,679	20	•	2	890	18	796
Board of Cosmetology	2	2	\$307	•	•	•	2	•	2
Criminal Justice	1	1	\$1,722	1	•	•	14	•	15
CJ Hall of Fame	•	1	\$359	•	•	•	1	•	•

Appendix A-2

Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,817 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tags	NonState Government Tags	State Seals
Deaf and Blind School	•	•	•	•	•	•	73	10	79
Development Board	1	1	\$587	•	•	•	1	14	•
Department of Education ^b	22	21	\$12,771	6	•	1	46	1	45
ETV	2	2	917	•	•	•	69	0	67
Election Commission	1	1	\$2,208	1	32%	•	3	•	3
Employment Security	1	4	\$6,263	3	25%	27	17	•	12
Environmental Certification	•	1	\$434	•	•	•	1	•	•
Forestry Commission	31	•	•	•	•	8	379	1	379
Foster Care Review	•	•	•	•	•	•	3	3	3
Francis Marion College	•	•	•	•	•	•	38	•	37
Governor's Office	1	•	•	•	•	•	167	1	166
DHEC	4	4	\$5,504	4	•	121	442	20	457
HHSFC	4	4	\$2,180	2	•	2	240	•	236
Higher Education	1	1	\$2,779	1	•	•	1	•	•
DHPT	1,242	279	\$113,445	45	•	•	5,114	158	5,103
State Housing Authority	1	1	\$768	1	•	•	12	•	12
Human Affairs Comm.	1	1	\$476	•	•	•	1	•	•
Department of Insurance	1	1	\$3,594	1	23%	•	4	•	3
JEDA	1	1	\$1,107	1	•	•	3	•	•

Appendix A-2
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,617 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tag	NonState Government Tag	State Seals
John De La Howe	•	•	•	•	•	•	19	•	11
Department of Labor	1	1	\$340	•	•	23	2	•	•
Lander College	•	•	•	•	•	•	22	•	22
Land Resources	•	•	•	•	•	•	17	•	16
SLED	263	3	\$1,439	•	•	•	7	303	5
State Library	•	•	•	•	•	•	7	•	7
Medical Examiners	5	6	\$4,290	2	•	•	5	•	•
Medical University	3	1	\$239	•	•	•	76	3	73
Mental Health	9	1	\$63	•	•	1	486	15	179
Mental Retardation	11	13	\$8,743	6	•	1	256	•	155
Museum Commission	•	•	•	•	•	•	4	•	4
Board of Nursing	•	•	•	•	•	•	1	•	1
Opportunity School	•	•	•	•	•	•	17	•	16
Patriots Point	1	1	\$440	•	•	•	3	•	1
Board of Pharmacy	2	2	\$1,022	1	•	1	2	•	2
Probation, Parole	12	•	•	•	•	6	1	58	1
PRT	•	•	•	•	•	10	152	•	152
Public Service Commission	57	6	\$6,347	4	•	•	61	•	59
Real Estate Commission	2	2	\$2,707	1	25%	1	2	•	•

Appendix A-2

Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,817 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tags	NonState Government Tags	State Seals
Reorganization Commission	•	•	•	•	•	•	1	•	•
Residential Home	2	2	\$611	•	•	•	7	•	7
Retirement System	2	2	\$2,721	1	•	•	4	•	2
Sea Grant	•	1	\$162	•	•	•	2	•	•
Second Injury Fund	1	1	\$733	1	•	1	1	•	•
Social Services	1	1	\$386	•	•	31	337	7	270
South Carolina State College	2	1	\$2	•	•	•	63	1	61
Tax Commission	13	3	\$2,630	1	•	33	7	10	4
Technical & Comp. Ed. Board ^c	6	6	\$4,346	2	•	13	17	•	8
Tuition Grants	1	1	\$164	•	•	•	1	•	•
USC	12	56	\$74,369	42	•	•	403	8	398
Veterans Affairs	•	•	•	•	•	•	1	•	1
Vocational Rehabilitation	•	•	•	•	•	1	141	•	141
Water Resources	1	1	\$423	•	•	•	15	•	14
Wildlife and Marine	337	28	\$11,897	6	•	•	654	65	628
Winthrop College	1	•	•	•	•	•	68	•	66
Workers Compensation Comm.	6	6	\$996	•	•	•	11	•	3
Workers Compensation Fund	10	10	\$6,239	3	•	•	11	2	13
Youth Services	12	13	\$10,345	4	•	•	156	3	88

Appendix A-2
Department of Motor Vehicle Management State-Wide Vehicle Fleet Data: FY 89-90 (Continued)

Agency	Commuters	Number Who Report Commuting	Economic Value of Commuting	Commuters Who Commute Over 2,817 Miles	Agencies With Estimated Commute % > 16%	Employees Who POV > 14,600	Vehicles Identified By:		
							State Government Tags	NonState Government Tags	State Seals
Total	2,298	618	407,267	184	•	319	11,595	851	10,773

Note: Numbers may not total due to incomplete information provided by agencies on DMVM's management review questionnaires.

^aIncludes only vehicles assigned to DMVM. Does not include vehicles leased to other agencies.

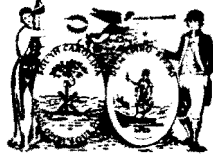
^bDoes not include school buses and service vehicles operated by the Department of Education.

^cIncludes only those vehicles operated by the state board. Does not include vehicles operated by the state technical colleges.

Source: DMVM management review questionnaires and LAC records.

Agency Comments

STATE OF SOUTH CAROLINA
State Budget and Control Board
DIVISION OF MOTOR VEHICLE MANAGEMENT



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JESSE A. COLES, JR., Ph.D.
EXECUTIVE DIRECTOR

March 25, 1991

Mr. George L. Schroeder, Director
Legislative Audit Council
400 Gervais Street
Columbia, S. C. 29201

Dear Mr. Schroeder:

I would like to commend you and your staff for conducting a thorough and objective review of compliance with South Carolina's Motor Vehicle Management Act. Although undergoing an audit is never a pleasant experience, we found your staff to be professional, courteous and willing to consider this Division's point of view in all matters. Your staff did an excellent job in conducting its research and producing a balanced report.

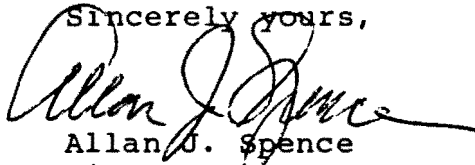
A major issue raised by the Legislative Audit Council (LAC) concerns "authority". As you have pointed out, the state fleet management system which has evolved over the years can best be characterized as "centralized administratively" and "decentralized operationally". The State Fleet Manager and agency heads are partners with regard to authority over, and management of, the state fleet. Agencies are responsible for managing their respective fleets in accordance with the Motor Vehicle Management Act, Board regulations, and Division of Motor Vehicle Management (DMVM) policies and procedures.

It is our opinion that the present state fleet management system accurately reflects the intent and wishes of the General Assembly and the Budget and Control Board. However, the LAC states, in its review, that this system contributes to the state's inability to fully comply with the major objectives of the Motor Vehicle Management Act. Implementation of those recommendations directed at enhancing the State Fleet Manager's authority would result in a distinct shift in the way the fleet is presently managed. The General Assembly, and quite possibly the Board, may need to express a desire for these changes before such a shift could take place.

Mr. George L. Schroeder, Director
March 25, 1991
Page Two

Since this is a compliance review of the Motor Vehicle Management Act, and not just DMVM, we will not address every finding and recommendation. Many of these are directed at the General Assembly, the Budget and Control Board, and other state agencies. Our brief comments are enclosed and are primarily intended to clarify this Division's position with regard to those major issues and items directly affecting DMVM. Readers of this report may contact DMVM for further information and details. I am sure you will accept our comments in the same spirit in which we accept your report. We are both engaged in an effort to ensure better government for the citizens of South Carolina. With kind regards, I am

Sincerely yours,



Allan J. Spence
Director

AJS/hb

Enclosure

DMVM RESPONSE TO LAC COMPLIANCE REVIEW

Vehicle Assignment and Use page 3

LAC REMARK: The B&CB should grant the State Fleet Manager authority to review state agency utilization of vehicles to ensure maximum cost-effective use of vehicles. Where use is not found to be justified, B&CB regulations should provide that the vehicles be reallocated for a more cost-effective use.

DMVM RESPONSE: The reallocation of vehicles to ensure maximum cost-effective utilization is a common, but difficult, fleet management practice. The difficulty is compounded by the fact that 92% of the fleet (excluding school buses) is owned and operated by agencies other than DMVM. In recent years, DMVM has requested funds to study, among other things, methods designed to increase utilization of the state fleet. In addition, a statewide vehicle information and reporting system would be needed in order to have the data available upon which to base reallocation decisions.

Calculation of Economic Value page 11

LAC REMARK: The B&CB and State agencies should ensure that state employees use the correct method when calculating the economic value of their commuting mileage.

DMVM RESPONSE: The correct method of calculating the economic value of commuting should be used. However, it is questionable as to who is ultimately responsible - the employing agency or the employee? DMVM will do its part.

Approval and Oversight page 13

LAC REMARK: Regulation 19-603, which states vehicles may be assigned if it is "in the best interest of the state," should be clearly defined.

DMVM RESPONSE: It would be impossible to define this justification to include every reason for assignment. The real problem is not with the definition; it is with the manner in which agency heads choose to apply this criterion. "Perquisite of office" and "on call" have already been eliminated as justifications for assignment. Given that there are a considerable number of reasons for assigning a vehicle, the best we could do is list some circumstances which are unjustified.

Appropriation Act page 14

LAC REMARK: The General Assembly may wish to consider clarifying whether the personal use of a state vehicle is to be reported as additional income or to be charged for at the prevailing local rate.

DMVM RESPONSE: As the LAC has stated, the General Assembly is considering an amendment to Section 129.9 of the FY 90-91 Appropriation Act which, as of this date, reads as follows:

"Commuter mileage on non-exempt state vehicles shall be considered as income and reported by the Comptroller General in accordance with IRS regulations."

This is a technical issue which is very closely related to the LAC's recommendation # 4. The General Assembly is, in essence, addressing this issue by considering this amendment to the proviso cited above.

Privately-Owned Vehicle Reimbursement page 16

LAC REMARK: During an agency's management review, DMVM should identify all individuals earning above the break-even point in POV reimbursement and report this information to agency officials and the B&CB.

DMVM RESPONSE: The LAC states DMVM no longer checks to identify those individuals who have exceeded the break-even point. This statement is true for the period during which the POV reimbursement rate was 21 cents per mile. The difference between the average cost per mile of operating a state vehicle and the POV reimbursement rate was negligible, and the Division did not perceive this as an issue to be closely monitored at that time. However, it has again become an issue due to the increase of the POV rate to 25.5 cents. DMVM will be addressing this issue again during the next Management Review.

LAC REMARK: State cars should be assigned to those individuals for whom it would be more cost-effective.

DMVM RESPONSE: We are in agreement. However, DMVM will have to study this matter as additional funds may be needed to provide vehicles to those employees driving above the break-even point.

Confidential Tags page 19

LAC REMARK: Confidential tag requests should be reviewed as required by Section 1-11-320 of the S. C. Code of Laws.

DMVM RESPONSE: The confidential tag approval form was recently revised to ensure that the Chief of SLED reviews and approves only requests for law enforcement officers. DMVM has no basis upon which to question the Chief of SLED on those requests involving law enforcement officers. DMVM feels confidential tags are already reviewed in accordance with statutory requirements.

LAC REMARKS: (1) A consultant hired by DMVM recommended that the B&CB seek an Attorney General's opinion to clarify the statute. (2) For clarification, DMVM should request an Attorney General's opinion of Section 1-11-320 of the S. C. Code of Laws.

DMVM RESPONSE: The consultant hired by DMVM stated "...the Board may wish to get an opinion" concerning Section 1-11-320 of the S. C. Code of Laws. The Board has already received a verbal opinion on this matter, and it is obvious from the minutes of the October 23, 1990 Board meeting that the Board feels a formal opinion is unnecessary.

Fleet Safety Program page 21

LAC REMARK: DMVM should require agencies to comply with the requirements established under the Fleet Safety Program. For those agencies that have direct access to driver information, DMVM should approve their systems and review them for compliance.

DMVM RESPONSE: DMVM already requires agencies to comply with requirements of the Fleet Safety Program. Those agencies not in compliance are reported in the Management Review.

Optional Equipment page 23

LAC REMARK: (1) DMVM should enforce its policy of requiring full justification for all optional equipment which does not fall within the options automatically approved. (2) DMVM should periodically review the list of options which it automatically approves to determine whether any items should be added or deleted.

DMVM RESPONSE: The periodic review recommended by the LAC is already done annually when the State Vehicle Specifications Committee recommends to the State Fleet Manager a list of "approved" options for each class of vehicle. The Fleet Manager then approves these options and informs the Budget and Control Board of same.

Approved options are based primarily on the intended use of the vehicle and the needs of the predominant user of each type vehicle. For example, the Highway Patrol is the predominant user of police pursuit sedans and the "approved options for that vehicle are designed to meet the needs of that particular agency. Other law enforcement organizations may have the need for different items, and may tailor their vehicles by "adding" or "deleting" equipment.

With regard to requiring full justification for all optional equipment, the inclusion of items as "standard" equipment is done in response to a variety of factors. Cruise control was

added as an "approved" option during the 1978 fuel crisis in order to improve the fuel economy of the State fleet. Additionally, some vehicles are designed to serve a variety of purposes. Cab and Chassis (C&C) trucks are one such vehicle. One key specification on cab and chassis trucks is the so called "cab/axle (C/A)" length (See diagram below).

FORD F-800 SERIES

WHEELS AND TIRES: 10R22.5 F 12 pr front and dual rear tubeless radial tires on 22.5 x 7.5 rims, cast spoke wheels. Optional tire sizes available tubed or tubeless on cast spoke, 10-hole steel disc, or 10-hole alum. disc wheels.

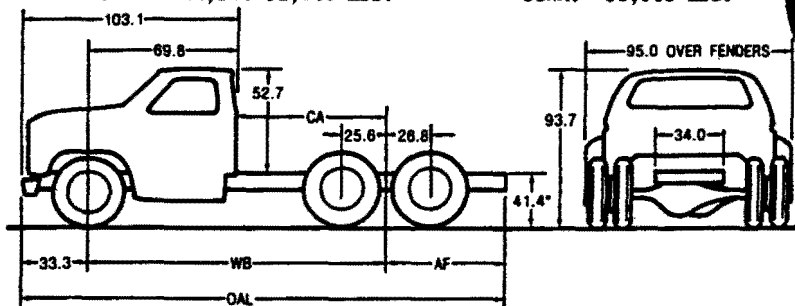
STANDARD EQUIPMENT: 103.1" BBC Conventional Chassis-cab; Full width bench seat; Single stage dry air type cleaner; Single horizontal muffler and pipe; Two 1.5 qt. oil filters; Engine mtd.oil cooler; Fuel/water separator; Water-in-fuel warning light; Heater and defroster; Turn signals; 2-speed electric windshield wipers and washers; Mechanical governor; Western LH & RH side mirrors painted; Front painted bumper.

OPTIONAL EQUIPMENT: Chassis-cowl (available with 129" - 189" wbs. only); Increased electrical and cooling systems; Front shock absorbers; Custom HI-Level cab trim package; HD dry type air cleaner; Chrome front bumper; Tinted glass; Radio equip.; Chrome mirrors; Individual seats; Folding back bench seat; Crankshaft driven PTO Damper; Tilting hood and fender assembly; 12-ton hydraulic jack; Front and/or rear tow hooks; Air conditioning; Tractor Package, includes dual face turn lamps, req. air brakes.

FORD FT-900 SERIES - TANDEM

GVWR: 44,300-52,000 Lbs.

GCWR: 80,000 Lbs.



* AT & OF BOGIE (EMPTY)

ENGINE: Standard: Ford 7.8L (474) I-6, 210 GHP @ 2400 RPM, 575 GT @ 1500 RPM
Optional: Ford 7.8L (474) I-6, 215 or 240 GHP @ 2400 RPM
Calif. Engines: Ford 7.8L (474) I-6, 210 GHP @ 2400 RPM, 575 GT @ 1500 RPM
Ford 7.8L (474) I-6, 215 or 240 GHP @ 2400 RPM

MODELS AVAILABLE: Chassis-cab Truck. (Tractor application optional)

CHASSIS-CAB CURB WEIGHTS & DIMENSIONS (Std.equip.,fuel,water,oil)							Wall/Wall
WB	CA	AF	OAL	Front	Rear	Total	Turn Dia.
154	84	55	242	6,506	5,815	12,321	54.6 ft.
178	108	63	274	6,526	5,905	12,431	61.8
190	120	75	298	6,531	5,978	12,509	65.3
196	126	75	304	6,536	5,989	12,525	67.1
214	144	75	322	6,566	6,019	12,585	72.5
238	168	130	401	6,511	6,355	12,866	79.7

DIESEL TRUCK INDEX

Lists in U.S.A.

January, 1990 - 31

C&C trucks are available with a variety of C/A lengths. The type body to be mounted (dump, cargo, etc.) determines the necessary C/A length. The LAC cites "extended length on trucks" as one option DMVM has approved without appropriate written justification. DMVM feels that its accumulated vehicle management experience enables it to make informed management decisions on what must be "justified" in writing in cases such as this. DMVM already requires written justification for all requests for optional equipment which seems to be superfluous or unnecessary.

Fleet Additions page 24

LAC REMARK: When approving fleet additions, DMVM should enforce its requirement that agency directors certify that no other appropriate agency vehicles are available for reassignment.

DMVM RESPONSE: DMVM agrees that agency heads need to execute the required certification stating that no other vehicle is available to meet their needs. However, the more obvious problem is the absence of an integrated state budgeting process that would allow this Division to more adequately monitor and approve fleet additions. State agencies request funds to add or expand programs and services through the annual budgetary process. Integrating projected vehicle needs into this process, or developing a like system such as the state's Information Technology Plan, is necessary to ensure that requests for fleet additions are adequately monitored and evaluated.

Replacements and Disposal of State Vehicles page 26

LAC REMARK: The B&CB should grant the State Fleet Manager authority to review the functional use of full-sized sedans in the state fleet and determine which could be downsized.

DMVM RESPONSE: In November 1990 DMVM initiated an effort to encourage agencies to downsize all non-police sedans by one level.

Disposal Policy page 27

LAC REMARK: DMVM should ensure that the 395 vehicles identified as requisitioned against are disposed of, and should monitor the disposal process to ensure compliance with the 90-day disposal time limit.

DMVM RESPONSE: DMVM has already taken corrective action on this matter.

Disposal Criteria page 28

LAC REMARK: DMVM should update the analysis of disposal criteria on a regular basis and ensure it is the most cost-effective.

DMVM RESPONSE: Implementation of a statewide vehicle information and reporting system is essential to ensuring that the state's disposal criteria is the most cost-effective possible.

Duplication of Maintenance Facilities page 31

LAC REMARKS: (1) DMVM has not followed a prior recommendation to reevaluate the cost-effectiveness of consolidation of maintenance facilities. (2) In FY 89-90 and FY 90-91, DMVM requested \$300,000 for a consultant study to examine duplication of maintenance and other fleet issues. This request was not made for FY 91-92.

DMVM RESPONSE: The LAC recognizes that DMVM has requested funds to study this matter. DMVM originally intended to request funds for a third straight year, but we were informed that funds for this type of request would not be available in such an austere fiscal year. DMVM has made a good faith effort to address this matter, and we intend to continue our efforts to have such a study conducted.

Maintenance Facility Certification/Central Purchasing page 32

LAC REMARK: DMVM should review the use of central purchasing as a component of the maintenance facility certification process.

DMVM RESPONSE: The concept of centralized purchasing as defined by the LAC has undergone extensive analyses during certification reviews over the last three years. Every indication is that such a requirement would cost the state considerably more, and have a detrimental effect on the readiness of the state fleet to perform its mission. In addition, maintenance facilities are already purchasing a considerable amount of their normal inventory from a state warehouse. Requiring them to purchase every supply and part from such a warehouse would be impractical.

DMVM will continue to ensure maintenance facilities follow the State Procurement Code and use the most cost-effective method to procure automotive parts. In addition, DMVM will request a minor change to Section 1-11-290 of the Motor Vehicle Management Act so that it and the State Procurement Code will be compatible.

Information System/Record Keeping page 35

LAC REMARK: DMVM should work closely with the Research and Statistical Services Division of the B&CB in automating record-keeping and implementing a statewide information system. Provisions should be made to preserve a historical record which will meet DMVM's data needs in managing the state fleet and the needs of auditors and other analysts.

DMVM RESPONSE: DMVM has been working closely with the Research and Statistical Services Division on developing a statewide information system. We have progressed as far as we can on this project, and further compliance in implementing this system is dependent on funding. Section 1-11-300 of the S. C. Code of Laws mandates that a statewide vehicle information and reporting system be developed. However, funds have never been appropriated to either DMVM or the agencies for implementation.



SOUTH CAROLINA
DEPARTMENT OF HIGHWAYS AND PUBLIC TRANSPORTATION
P.O. BOX 191
COLUMBIA, S.C. 29202

March 20, 1991

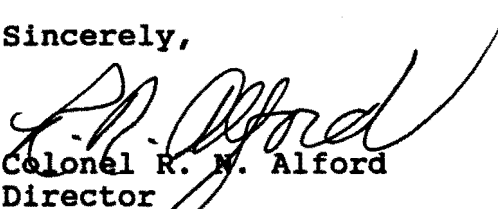
Mr. Perry Simpson
Legislative Audit Council
400 Gervais Street
Columbia, SC 29201

Dear Mr. Simpson:

In regards to your request that we review the final draft regarding Patrol vehicles taken on trips to visit relatives, it is with the wishes of this Department that you review paragraph 3 on page 7, wherein you refer to 152 unmarked cars that could be used once per month to enable an officer to visit a relative and there should be an explanation to show that a very low number of these vehicles are being used. As a matter of record, there are probably no more than 5 minimum, 10 maximum vehicles throughout the state being used for this purpose each month. However, the corrective measures that we outlined earlier are in effect.

If there are any other questions in regards to this procedure, please let me know.

Sincerely,



Colonel R. N. Alford
Director
Law Enforcement Division

RNA/IB/ps

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